

Fiscal Note

Fiscal Services Division



HF 2380 – Education Reform (LSB 5398HV.1)

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Fiscal Note Version – As Passed by the House

Description

House File 2380 provides broad reforms to the Iowa public education system.

Fiscal Impact Summary

The following table provides a summary of the estimated fiscal impact of **HF 2380** as passed by the House. Divisions IV (Innovation Acceleration Fund) and XIV (Third Grade Reading) will have additional costs not reflected in the table and those costs will be based on appropriations made by the General Assembly for those Programs. The estimated net General Fund impact is an increase in expenditures of \$9.5 million in FY 2013, \$10.8 million in FY 2014, and \$11.1 million in FY 2015. An analysis of each Division of the Bill is provided in the following table.

Estimated General Fund Fiscal Impact of HF 2380 (As Passed by the House)

Div.	Education Reform Provision	FY 2013	FY 2014	FY 2015
I	Competency-Based Education Task Force	\$ 100,000	\$ 0	\$ 0
II	Core Curriculum	1,000,000	1,000,000	1,000,000
II	Core Curriculum - Study	50,000	0	0
II	Remediation Council	0	0	0
III	Teacher and Administrator Performance*	1,000,000	1,000,000	1,000,000
III	Statewide Educator Evaluation System Task Force	50,000	0	0
III	Teacher Perf., Comp., and Career Dev. Task Force	50,000	0	0
IV	Innovation Acceleration Fund	35,000 ¹	35,000 ¹	35,000 ¹
V	Online Learning	1,500,000	1,500,000	1,500,000
VI	Educational Standards Exemption	0	0	0
VII	Education Job Openings Posting	0	0	0
VIII	Class Sharing Agreements	0	1,500,000	1,650,000
VIII	AP and Iowa Online Course Weighting	0	47,000	52,000
IX	Increase Minimum Hour Requirement for the SWVPP*	0	0	0
IX	School Instructional Time Task Force	50,000	0	0
X	Assessment - High School Exit Exams	2,000,000	2,000,000	2,000,000
X	Assessment - Value Added Assessment System	1,500,000	1,500,000	1,500,000
X	Assessment - Kindergarten Readiness*	0	0	0
X	Assessment - College Readiness	1,400,000	1,400,000	1,400,000
XI	National Board for Professional Teaching Standards Awards	140,000	245,000	375,000
XII	Educator Employment and Professional Development Matters	0	0	0
XIII	Charter School Changes	500,000	500,000	500,000
XIV	Third Grade Literacy*	0 ²	0 ²	0 ²
XV	Home Rule Authority	70,000	35,000	0
XVI	Online Learning Interim Study	0	0	0
XVII	AP Performance Funding	0	0	0 ³
XVIII	Professional Service and Guidance Counselors	55,000	55,000	55,000
XIX	Training, Preparation, and Licensure Provisions	0	0	0
XX	Kindergarten Attendance Requirement	0	0	0

Increased General Fund Expenditures:

\$9,500,000 \$10,817,000 \$11,067,000

* Indicates mandates in addition to the General Fund impacts that may have potential cost increases to school districts and area education agencies.

1. Programs are estimated to have a cost impact; however, costs will be based on the amount of funding appropriated by the General Assembly.

2. Division requires repurpose of Early Intervention Supplement funds for the READ initiative. Also, the Division establishes the Iowa Reading Research Center and specifies it is subject to an appropriation by the General Assembly.

3. Initiative is estimated to have a cost impact in FY 2015; however, costs will be based on the amount of funding appropriated by the General Assembly.

This fiscal note also provides cost estimates of State mandates for provisions within this Bill. Local fiscal impact analysis is provided in Divisions where the Legislative Services Agency (LSA) has identified potential increased costs to school districts and area education agencies (AEAs). A summary table of the State mandate estimates is provided in the State Mandate Division (Division XXI).

Assumptions and Fiscal Impacts by Division

Division I – Competency-Based Instruction

Division I creates a competency-based instruction task force and requires the task force to submit reports with findings and recommendations by January 13, 2013, and November 15, 2013. The Division is effective on enactment.

Assumptions:

The Department of Education will require additional funding for the costs associated with providing additional support for the competency-based instruction task force for FY 2013.

Fiscal Impact:

The estimated impact is an increase in FY 2013 General Fund expenditures of \$100,000 for the costs associated with the task force.

Division II – Core Curriculum

Division II establishes the core curriculum framework and core content standards advisory council that is required to meet at least quarterly. References a core curriculum framework to be developed and aligned to core curriculum standards. Establishes a remediation council, and requires the Department to provide support to the council. Requires the Department of Education to submit a report with findings and recommendations by November 15, 2012, that will examine the core curriculum and the skills necessary to prepare students for the future.

Assumptions:

Additional costs will be required and include 2.0 FTE positions for the Department of Education and 8.0 external FTE positions (this may include AEAs). The Department will be required to provide additional support for the advisory council and required report.

Fiscal Impact:

The estimated cost of this provision will be \$1.1 million annually beginning in FY 2013. The Department of Education indicates that desired implementation as proposed by the Department will increase the cost to \$2.5 million annually and require a total of 5.0 FTE positions within the Department.

Division III – Teacher and Administrator Performance

Division III requires the Department of Education to develop and adopt rules pertaining to educator standards and educator evaluation systems and creates a statewide educator evaluation task force and a teacher performance, compensation, and career development task force. Specifies that if the General Assembly fails to enact legislation during the 2013 Legislative Session that aligns with the statewide educator evaluation task force recommendations that the sections pertaining to teaching standards and evaluation systems will be repealed beginning in FY 2014.

Assumptions:

The LSA estimates the Department will require 1.0 FTE position and the amounts detailed in the fiscal impact section for development, data systems, and training for the educator evaluation provision. Additional funding will be required for the costs associated with the task force for FY 2013.

Fiscal Impact:

The estimated cost of this provision will be \$1.0 million annually beginning in FY 2013. Additionally, there will be an increase in FY 2013 General Fund expenditures of \$100,000 for the costs associated with the task forces.

Estimated Local Impact:

The estimated fiscal impact to school districts and AEAs as a result of increased educator evaluations is currently unknown and will be impacted by the type of evaluation systems developed. Requiring annual educator reviews by FY 2014 may increase the amount of school district staff needed to meet the requirement. Based on an average of 12.6 hours per review for experienced teachers and 17.1 hours for new teachers, the LSA estimates that the number of additional annual reviews for full-time teachers will total over 21,000 hours. Based on the average number of contract days for assistant principals, the LSA estimates that an additional 147.3 FTE assistant principals will be required statewide to administer the additional evaluations required at a cost of approximately \$15.0 million. This estimated cost does not account for teachers that are on intensive assistance plans that may require additional evaluation time.

Division IV – Innovation Acceleration Program and Fund

Division IV establishes an innovation acceleration program and fund to be administered by the Department of Education and directs grants to be awarded to districts that successfully demonstrate the use of innovative practices.

Assumptions:

The LSA estimates the Department will require a 0.5 FTE position to administer the fund. Funding for the position will be carved out of a General Fund appropriation to the Innovation Acceleration Fund, if an appropriation is made.

Fiscal Impact:

The estimated cost of Division IV will be approximately \$35,000 annually for a 0.5 FTE position to administer the Innovation Acceleration Fund. If there is a General Fund appropriation made to the Innovation Acceleration Fund, the cost of the FTE position will be included in that appropriation. The Governor has recommended a General Fund appropriation of \$2.0 million to the Innovation Fund.

Division V – Online Learning

Division V requires the Department to develop and establish an online learning program model. Specifies that not more than 0.18% of students statewide and not more than 1.0% of a district's enrollment can be enrolled in courses where the content is delivered primarily over the internet. Establishes an Iowa learning online initiative within the Department. Specifies that is the intent of the General Assembly to encourage and support the establishment of a center for excellence for online learning at the University of Northern Iowa.

Assumptions:

The Department will require an FTE position and additional resources to develop courses and systems for the online program model.

Fiscal Impact:

The estimated cost of this provision will be \$1.5 million annually beginning in FY 2013.

Division VI – Educational Standards Exemptions

Division VI permits that the Department of Education to grant exemptions from educational program requirements. Requires the Department to submit an annual report listing the exemptions granted by February 1 to the State Board of Education, the Governor, and the General Assembly.

Fiscal Impact:

The estimated fiscal impact of this Division will be minimal.

Division VII – Education Job Openings Posting

Division VII requires the Department of Education to maintain an education job openings listing on the Department's website.

Assumptions:

The Iowa Department of Education currently has a searchable job posting database called Teach Iowa that will fulfill the requirements specified in this Division.

Fiscal Impact:

No fiscal impact.

Division VIII – Class Sharing Agreements

Division VIII expands the courses that are eligible for school aid formula supplementary weighting. The LSA estimates class sharing agreements will increase supplementary weighting funding generated through the school aid formula beginning in FY 2014. Full-year Project Lead the Way (PLTW) courses are currently not eligible to receive supplementary weighting. Additionally, the Division permits that students enrolled in a career and technical course to be exempt from proficiency standards required to be eligible to enroll in the course. Adds Iowa advanced placement academy courses and Iowa learning online initiative courses as eligible courses to receive virtual classes that generate supplementary weighting.

Assumptions:

Based on the October 2011 certified enrollment data, courses impacted by this Division had a supplementary weighting totaling 267.37 (259.24 for PTLW courses and 8.13 for the added virtual courses). The LSA assumes this weighting will increase by 10.0% annually. Additionally, the LSA is assuming a 0.0% allowable growth rate for FY 2014 and FY 2015.

Fiscal Impact:

The estimated General Fund impact will be an increase in State school aid of \$1.5 million in FY 2014 and \$1.6 million in FY 2015. Additionally, local property taxes will increase for districts with students receiving the supplementary weighting. Statewide, the estimated property tax increase will be \$200,000 per year in FY 2014 and FY 2015.

Division IX – School Instructional Time Task Force

Division IX increases the minimum hour requirement for the Statewide Voluntary Preschool Program from 10 to 15 hours. Also requires the director of the Department of Education to appoint members to a school instructional time task force. The task force will review and submit findings and recommendations pertaining to school instructional time by October 15, 2012.

Assumptions:

The Department of Education will require additional funding for the costs associated with providing staff and services for the task force for FY 2013.

Fiscal Impact:

The estimated impact is an increase in FY 2013 General Fund expenditures of \$50,000 for the costs associated with the task force.

Estimated Local Impact:

The estimated fiscal impact to school districts as a result of increasing the minimum hours of the Statewide Voluntary Preschool Program from 10 to 15 hours is currently unknown. The Department of Education has indicated that of the 320 districts participating in the Program, 75 (23.4%) currently are providing the minimum hours of instruction while the remainder of the districts (76.6%) exceed the minimum hours of instruction. Districts currently not meeting the 15-hour requirement may be required to reduce enrollments for the Program without additional funding in order to expand instruction hours.

Division X – Assessments

Division X specifies changes and additions to student assessment requirements.

Assumptions:

- The Department will contract with a vendor in the development of high school exit exams and will administer the exams at no cost to the school districts. Costs are assumed to be ongoing, but may decrease over time.
- The Department will require a 0.5 FTE position and additional funds to administer, provide analysis, modify current data systems, and provide training for the value-added assessment system provision.
- Each school district will be required to administer a kindergarten readiness exam to resident four-year-old prekindergarten students enrolled in the district. The estimate assumes approximately 24,200 students will take the test annually at a cost of \$15 per test.

- The Department has indicated that 94.0% of tenth graders are currently being assessed. Requiring all tenth graders to take the Iowa assessment in FY 2013 and FY 2014 will have a minimal fiscal impact.
- The assumed cost for the college entrance exam is \$35 beginning in FY 2013. The assumed cost for career readiness assessment to assess reading for information, locating information, and applied mathematics totals \$23.50. The Department of Education is required to cover the costs of these examinations and assessments for the eleventh grade students. For this estimate, the LSA is assuming 38,000 eleventh grade students take the college entrance exam. Costs will be reduced pending the number of students that elect to take the career readiness assessments instead of the college entrance exam.

Fiscal Impact:

- The estimated cost of the development and administration of the high school exit exams is \$2.0 million each fiscal year beginning in FY 2013.
- The estimated fiscal impact of the value-added assessment system provision is an increased cost annually of \$1.5 million beginning in FY 2013.
- The estimated fiscal impact of the kindergarten readiness assessment provision will be incurred by local school districts with no additional cost to the General Fund.
- The estimated cost of administering the assessments to all eleventh grade students is not expected to exceed \$1.4 million annually.

Estimated Local Impact:

The estimated fiscal impact of the kindergarten readiness assessment provision is an increased cost annually of \$363,000 beginning in FY 2013. The costs will be greater if additional students are required to take the assessment, with a maximum cost of \$600,000 annually (if all students entering kindergarten are required to take the assessment).

Division XI – National Board for Professional Teaching Standards Awards

This Division eliminates the end dates for the National Board for Professional Teaching Standards certification one-time fee reimbursement awards and the annual awards. The eligibility for the annual award is 10 years for the years the individual maintains a valid certificate and remains employed as a public school teacher in Iowa, whichever time period is shorter.

Assumptions:

- The estimate assumes a backlog of 20 certified teachers evenly distributed through 2009-2012. The backlog of certified teachers will require one-time fee reimbursements and annual awards brought up to date.
- Reimbursements and annual awards will continue indefinitely for teachers applying for certification.
- New certifications will number 52 annually for FY 2013, FY 2014, and FY 2015, based on the average annual certifications from 2000-2008.

Fiscal Impact:

The estimated cost for reimbursement and annual awards will be \$140,000 in FY 2013, \$245,000 in FY 2014, and \$375,000 in FY 2015. Costs are estimated to be ongoing in future fiscal years.

Division XII – Educator Employment and Professional Development Matters

This Division provides changes to professional development for educators and addresses probationary periods and due process for teachers and administrators.

Fiscal Impact:

There is no anticipated fiscal impact.

Division XIII – Charter School Changes

This Division provides changes to the current charter school provisions.

Assumptions:

The Department will require 3.0 FTE positions and funding for reviewing and monitoring the new Charter School provisions.

Fiscal Impact:

The estimated annual cost will be approximately \$500,000 beginning in FY 2013.

Estimated Local Impact:

Individual school districts will be required to pay charter schools money generated on a per pupil basis for the previous year's district cost, teacher salary supplement, professional development supplement, early intervention supplement, and any other per pupil funding requested and approved by the State Board of Education. The overall impact is unknown and will vary between school districts.

Division XIV – Third Grade Literacy

This Division provides new provisions pertaining to third grade literacy and retention requirements. Establishes an Iowa reading research center (subject to an appropriation by the General Assembly) and the Reading Enhancement and Acceleration Development (READ) initiative. Specifies that school districts are not required to retain third grade students that aren't proficient in reading until FY 2017.

Assumptions:

- The Department will require 1.0 FTE position to administer the reading research center. Funding for the position will be provided through an appropriation for the research center.
- School districts will be required to use early intervention supplemental funds generated through the school aid formula to fund the READ initiative. The FY 2013 early intervention supplement generated through the school aid formula will total approximately \$30.3 million. Additionally, 42 school districts had FY 2011 ending fund balances designated for early intervention totaling \$1.7 million.

Fiscal Impact:

- Funding for the reading research center will be contingent on an appropriation by the General Assembly, and that amount is currently unknown. The Governor recommended an appropriation of \$2.0 million for the Iowa reading research center.
- No additional funding for the READ initiative is provided in the Bill. Districts are required to use available early intervention supplement funds to meet the requirements of the READ initiative while other programs included in the early intervention supplement will have funding reduced. In addition to requiring school districts to use early intervention supplement funds for the costs of the READ initiative, the Governor also recommended a \$3.0 million General Fund appropriation.

Estimated Local Impact:

The estimated fiscal impact to local school districts is unknown. Districts will be required to fund costs of the READ initiative with funds currently designated for the Early Intervention Block Grant Program. Statewide, school districts will receive \$30.3 million in FY 2013 from the early intervention supplement generated through the school aid formula.

Additionally, 42 school districts had FY 2011 ending fund balances designated for early intervention totaling \$1.7 million (an average of approximately \$40,000 per district with an ending fund balance greater than \$0.0, and an average of \$4,750 when all districts are included). Any costs of the READ initiative that exceed the amount a school district receives from the early intervention supplement will be funded through other allowed school district funds. The Governor's proposal identified \$5.0 million that was to be repurposed from the Early Intervention Supplement for the READ initiative.

Division XV – Home Rule Authority

This Division grants school districts home rule power and authority. The Division specifies that school districts cannot increase any tax without express authorization of the General Assembly.

Assumptions:

- School district tax levies have explicit uses and school district fund usage is specifically defined and directed in Iowa Code; the LSA assumes that funds will be used for designated purposes. However, under home rule, school districts may be able to more broadly define program areas that require designated funds. Although the School Budget Review Committee (SBRC) sets a maximum limit for each school district's annual cash reserve levy, not all school districts levy for the maximum amount. Under more broadly defined program areas, there may be potential for school districts to levy a higher cash reserve levy to access spending authority designated for specific program areas and still be within the cash reserve levy limits specified by the SBRC.
- Under home rule, school districts may charge fees that are not strictly prohibited by Iowa Code. This could include fees that would be considered miscellaneous income and deposited in a school district's general fund.
- The Department of Education will be charged with reviewing and proposing amendments to Iowa Code and rewriting administrative rules in response to enactment of this Division. The Department will require an additional FTE position to implement the changes in FY 2013 and a 0.5 FTE position in FY 2014.

Fiscal Impact:

- The estimated fiscal impact of this Division for school districts cannot be determined. The LSA estimates that there will be no increased levy authority as a result of this Division, but is uncertain how this may impact each school district's decision to levy cash reserve. However, there may be school district fee increases not specifically prohibited under Iowa Code, but that amount is unknown.
 - An additional FTE position for the Department of Education for duties related to proposing amendments to Iowa Code provisions and rewriting administrative rules is estimated to increase State General Fund expenditures by approximately \$70,000 in FY 2013 and \$35,000 in FY 2014.
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Division XVI – Online Learning Interim Study

Requests the Legislative Council establish an online learning interim study committee. The committee will submit findings and recommendations in a report to the General Assembly by December 14, 2012.

Fiscal Impact:

The estimated cost for the interim study will be minimal.

Division XVII – Advanced Placement Performance Funding

This Division provides that beginning in FY 2015, if funds are appropriated by the General Assembly, school districts with students that have received a score of three or higher on an advanced placement exam receive a prorated funding amount based on the appropriated amount and the total amount of students receiving a three or greater on the exam.

Fiscal Impact:

Any fiscal impact will be based on funds appropriated for the initiative beginning in FY 2015.

Division XVIII – Professional Service and Guidance Counselors

This Division requires the Department of Education to consult with other entities regarding professional service and guidance counselors.

Assumptions:

The Department of Education will require an additional 0.5 FTE position and additional funding for the costs associated with providing support for the initiative beginning in FY 2013.

Fiscal Impact:

The estimated impact is an increase of \$55,000 beginning in FY 2013 for the costs associated with adding a 0.5 FTE position and other support.

Division XIX – Training, Preparation, and Licensure Provisions

This Division sets standards and procedures for training programs for school administration managers. Also, establishes an alternative licensure and endorsement for teachers and administrators.

Assumptions:

Any additional duties will be absorbed with current staff.

Fiscal Impact:

No fiscal impact.

Division XX – Kindergarten Requirement

This Division requires that a student enrolled in a school district and that is age five by September 15 be considered of compulsory attendance age.

Fiscal Impact:

No fiscal impact.

Division XXI – State Mandate

This Division requires any additional costs resulting from this Bill to local school districts to be paid for through funds from State aid generated from the school aid formula.

Fiscal Impact:

The LSA has identified that Division III (Teacher and Administrator Performance), Division IX (School Instructional Time), Division X (Kindergarten Assessment), and Division XIV (Third Grade Literacy) may have additional costs not provided in this Bill. However, the total amount of costs is currently unknown. Additionally, school districts will be required to transfer funding to a charter school for any resident students that attend charter schools. The following table provides the potential costs of the State mandates in the Bill.

**Education Reform Initiatives
Potential State Mandate Costs to School Districts and AEAs**

Education Reform Provision	Est. Cost
Teacher and Administrator Performance	\$15,000,000
Increase Minimum Hour Requirement for the SWVPP	Unknown
Assessment - Kindergarten Readiness	360,000
Third Grade Literacy	5,000,000
Estimated Total	\$20,360,000

Sources

Iowa Department of Education
Iowa Association of School Boards
Iowa Department of Management
ACT
LSA, Fiscal Note for [HF 260](#)
LSA calculations and analysis

/s/ Holly M. Lyons

March 23, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
